

## VERMONT PENSION INVESTMENT COMMITTEE

September 10, 2008  
*Conference Call Meeting*

### **VPIC Members Present:**

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010  
JEB SPAULDING, VICE-CHAIR, VT State Treasurer  
JOSEPH MACKEY, VSTRS *Alternate*, term expiring June 30, 2011  
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010  
VAUGHN ALTEMUS, *Alternate* Governor's Delegate, term expiring June 30, 2010

### **VPIC Member(s) Absent:**

VACANT, VSTRS Representative, term expiring June 30, 2011  
WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012  
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

### **VPIC Alternate Members Present:**

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2010

### **VPIC Alternate Members Absent:**

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012

### **Also attending:**

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Bill Griffin, Chief Assistant Attorney General  
Jaye Pershing-Johnson, Assistant Attorney General

### **CALL TO ORDER:**

The Chair, Steve Rauh, called the Wednesday, September 10, 2008, *conference call* meeting to order at 8:15 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

The Committee had no objection to the agenda, and agreed to add specific items under Other Business.

### **ITEM 1:        **Reconsider the decision made at the last VPIC meeting to invest in Morgan Stanley Real Estate Fund VII Global subject to obtaining a relationship fee.****

The Committee discussed the manager's proposed fee. Mr. Minot reported that despite attempts by NEPC they were not successful in negotiating a relationship fee. He said based on past history with the manager, past relative performance, and a desire for diversification that he would recommend accepting the fee terms and move forward with contracting.

**On a motion by Mr. Rauh seconded by Mr. Spaulding, the Committee unanimously voted to amend the motion of August 25, 2008 to invest \$10 million with Morgan Stanley Real Estate Fund VII Global, subject to successful relationship fee negotiations, by striking the "subject to successful relationship fee negotiations."**

### **ITEM 2:        **Any Other Business to Come Before the Committee****

#### **A. ETI Investments**

The Committee discussed their August 26, 2008 decisions regarding potential ETI investments.

**On a motion by Mr. Spaulding seconded by Mr. Altemus, the Committee unanimously voted to discontinue further interest in the Community Capital proposal.**

**The Committee discussed and agreed** to reconsider their prior position regarding the Community Land Fund, and authorized Mr. Minot to investigate whether the fixed term of the fee proposal could be negotiated.

**B. Fannie Mae and Freddie Mac Portfolio Exposure**

Mr. Minot confirmed there was minimal negative common share exposure in any non-index based portfolio. He said the exposure most recently came from the Russell 2500 and SSgA S & P 500 equal weighted index accounts. However, prior to this event, positions held in the T Rowe Price enhanced index account also had a negative impact. Mr. Minot also noted that on the flip side positive gains to the portfolio can be expected from the fixed income strategies in the PIMCO Stocks Plus account.

**ITEM 3: Update from Jaye Johnson on contract issues with Bridgewater Associates related to our potential investment in their All Weather Portfolio.**

Jaye Pershing-Johnson and Bill Griffin appeared before the Board to discuss the status of negotiations and two major issues which impede further contract negotiations. Ms. Johnson explained it was the AG's position that, while the State could agree to the representations requested by the vendor based on the law and policy of the State and as a practice with all vendors, the State could not agree to make indemnifications requested by this vendor.

Mr. Griffin also stated that as VPIC's legal counsel he would advise against negotiating indemnifications with investment managers. Mr. Griffin also explained the different standards between "ordinary negligence" and "gross negligence" noting again that, while the VPIC may have the authority to waive or modify the standard State contract requirement of indemnification from the manager, as VPIC's attorney he would advise against doing so. Mr. Griffin further cautioned against adopting gross negligence as the standard of liability with respect to indemnification of the VPIC.

The Committee discussed the fact that several other states had reached satisfactory contracting terms. Mr. Minot advised the Committee that he and Ms. Johnson were pursuing contact with attorneys and contracting administrators from several other states to determine how and under what constraints, etc. the contracts were successfully executed.

**The Committee agreed** to encourage the AG's Office to continue with negotiations, including examination of how other states reached satisfactory terms, and to report back to the VPIC.

**Adjournment**

Hearing no other business, **at 9:10 p.m. the Chair declared the meeting adjourned.**

Respectfully submitted,

Donna Holden, Clerk